

# Public Employees' Retirement System Plan 1

## Member's Benefit Estimate Worksheet

This worksheet demonstrates how your PERS 1 retirement benefit is calculated. To assist you in completing, the worksheet we have included an example of "John Doe's" retirement calculation. The results you will receive from completing the worksheet will be estimated benefits based on projected salary and service credit. Your actual retirement benefit may be different as it will be based on final employer reporting.

### You can retire from active service when you are:

- Any age with 30 years of service credit,
- Age 55 or older with 25 years of service credit, or
- Age 60 with five or more years of service credit.

### You can retire from inactive status when you are:

- Age 65 and have accrued five service credit years, or
- Age 60, with an actuarially reduced benefit, if you have accrued five service credit years.
- Age 60, with an unreduced benefit, if you:
  - Separated from service on or after January 1, 2002,
  - Were at least age 50 at separation and
  - Have at least 20 years of service credit at separation.

**Maximum Benefit:** Your benefit may not exceed 60 percent of your Average Final Compensation (AFC). Some elected officials are exempted from this maximum.

## SERVICE CREDIT

You receive one service credit month for each month in which you are compensated for 70 or more hours worked. Beginning September 1, 1991, if you are compensated less than 70 hours a month, you receive  $\frac{1}{4}$  service credit month.

**Dual Membership:** You may be able to combine your PERS service credit with credit earned in other Washington State retirement systems in order to qualify for either regular or disability retirement. For more information see the "Dual Membership" page on this website.

**Purchasing Additional Service Credit:** You may be eligible to receive or purchase additional service credit for either six-month probationary period served between October 1, 1947, and June 30, 1965 or for time served in the military. Contact DRS for further information. For more information about military service credit see the "Military Service Credit" page on this web site.

## BENEFIT PAYMENT OPTIONS

### Option 1: Standard Option

The Standard option pays you a benefit for your lifetime. If you die before the total benefits you receive equal the contributions you made plus interest, the balance will be paid in a lump sum to your named beneficiary.\*

### Option 2: Joint and 100 Percent Survivorship

Your benefit is actuarially reduced from the Option 1 level. If your designated beneficiary survives you, he or she will receive the same benefit for his or her lifetime that you received.\*

### Option 3: Joint and 50 Percent Survivorship

Your benefit is reduced, but less than under Option 2. If your designated beneficiary survives you, 50 percent of your benefit will be paid to your beneficiary for his or her lifetime.\*

### Option 4: Joint and 66.67 Percent Survivorship

This option reduces your benefit less than Option 2, but more than Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.\*

### COLA Option:

In addition to the above options, you may elect to receive an annual cost-of-living-adjustment (COLA). To offset the cost of this annual adjustment your benefit would be actuarially reduced. This adjustment would be made in addition to any COLA and gainsharing adjustments you may receive automatically.

\*If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be increased to reflect a single-lifetime (Option 1) payment level.

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<i>Member's Benefit Estimate Worksheet</i>	<b>You</b>	<b>John Doe</b>
<b>STEP 1: Determine your anticipated date of retirement.</b>		<b>Sept. 1, 2003</b>
<b>STEP 2: Determine your total service credit years as of your anticipated date of retirement.</b>		
2a. My current balance of PERS 1 service credit years		<b>25</b>
2b. The number of years until my anticipated retirement date:		<b>5</b>
2c. My projected service credit years at retirement: (2a + 2b = 2c)		<b>25 + 5 = 30</b>
<b>STEP 3: Estimate your Average Final Compensation.</b> The average annual salary from my 24 consecutive highest paid service credit months is my Average Final Compensation or AFC*: <small>*Vacation/ sick leave cash-outs may be included in AFC in some cases. Depending on how far off your projected retirement date is (step 2b), your actual salary and AFC may differ at retirement. You may wish to estimate what your salary will be then figure an AFC based on those figures.</small>		<b>1998 salary = \$35,00</b> <b>1999 salary = \$45,00</b> $\$35,000 + \$45,000 =$ <b>\$80,000</b> $\$80,000 \div 2 = \$40,000$
<b>STEP 4: Compute your Standard/Option 1 benefit.</b> $2\% \times \text{service credit years} \times \text{AFC} \div 12 = \text{monthly benefit}$		
4a. My projected service credit years (2c) times 2%:		<b>30 x .02 = .60</b>
4b. My AFC (3) times 4a:		<b>\$40,000 x .60 = \$24,000</b>
4c. An estimate of my Standard Monthly Benefit (4b ÷ 12):		<b>\$24,000 ÷ 12 = \$2,000</b>
<b>STEP 5: Testing qualification for the Minimum Benefit.</b> Under PERS law you are entitled to a minimum benefit — prior to any adjustment (see Step 4c)—of at least \$30.58 per month, for each year of service credit. The minimum benefit increases annually in July. John has 30 years of service. <b>Note:</b> \$30.58 is the Year 2002 minimum		$\$30.58 \times 30 =$ <b>\$917.40 per mo.</b> (John's benefit from Step 4c --\$2,000 -- exceeds the minimum.)

	You	John Doe
<b>STEP 6: Determine your Survivor Option retirement benefit.</b> Use Table 1 to find your reduction factor and calculate your survivor option benefit.		
6a. Determine the age difference between you and your beneficiary (John Doe is one year older than his beneficiary)		<b>65 - 64 = 1 year</b>
6b. Option 2 (4c x factor) -- Survivor gets 100% of benefit.  Option 3 (4c x factor) -- Survivor gets 50% of benefit.  Option 4 (4c x factor) -- Survivor gets 66.67% of benefit.		<b>\$2,000 x .862 = \$1,724 per mo.</b>  <b>\$2,000 x .926 = \$1,852 per mo.</b>  <b>\$2,000 x .904 = \$1,808 per mo.</b>
<b>STEP 7: Calculate the COLA Option.</b> You can elect to receive an annual Cost-of-Living-Adjustment of up to 3 percent per year based on the annual increase in the Consumer Price Index for Seattle. This COLA is in addition to the COLA and gainsharing increases you receive automatically. If you choose the COLA Option, your benefit will be reduced by the factor listed in Table 2.		<b>John retires at age 65 under Option 2.</b> <b>.7972 x \$1,724 = \$1,374.37 per mo.</b>
<b>STEP 8: Only for Inactive Members who retire before age 65</b> If you leave active service but do not retire, and you later retire and begin collecting a benefit before age 65, your benefit will be reduced for each year you are under age 65. Reduction factors are listed in Table 3. Inactive members must be at least 60 years old to retire. Inactive members with 20 years of service who left service in 2002 receive an unreduced benefit.		<b>If John had retired as an inactive member at age 63 his benefit from Step 7 would be further reduced as follows</b> <b>.82 x \$1,374.37 = \$1,126.98 per mo.</b>

# TABLE 1: ACTUARIAL FIGURES - PLAN 1

Survivor Option factors - for converting Standard Option to a Survivor Option --Updated 9/1/2002

Option 2		Option 3		Option 4	
Beneficiary OLDER		Beneficiary OLDER		Beneficiary OLDER	
age difference	factor	age difference	factor	age difference	factor
-20	.958	-20	.978	-20	.971
-19	.955	-19	.977	-19	.970
-18	.952	-18	.976	-18	.968
-17	.949	-17	.974	-17	.966
-16	.947	-16	.973	-16	.964
-15	.944	-15	.971	-15	.962
-14	.940	-14	.969	-14	.959
-13	.937	-13	.968	-13	.957
-12	.934	-12	.966	-12	.955
-11	.930	-11	.964	-11	.953
-10	.927	-10	.962	-10	.950
-09	.923	-09	.960	-09	.948
-08	.920	-08	.958	-08	.945
-07	.916	-07	.956	-07	.942
-06	.912	-06	.954	-06	.940
-05	.908	-05	.952	-05	.937
-04	.901	-04	.948	-04	.931
-03	.896	-03	.945	-03	.928
-02	.889	-02	.941	-02	.923
-01	.879	-01	.935	-01	.916
Beneficiary SAME AGE		Beneficiary SAME AGE		Beneficiary SAME AGE	
as member		as member		as member	
0	.870	0	.930	0	.909
Beneficiary YOUNGER		Beneficiary YOUNGER		Beneficiary YOUNGER	
01	.862	01	.926	01	.904
02	.857	02	.923	02	.900
03	.844	03	.915	03	.890
04	.840	04	.913	04	.887
05	.836	05	.910	05	.884
06	.831	06	.908	06	.881
07	.818	07	.900	07	.871
08	.814	08	.900	08	.867
09	.809	09	.897	09	.864
10	.805	10	.895	10	.861
11	.802	11	.892	11	.858
12	.787	12	.890	12	.847
13	.784	13	.881	13	.845
14	.780	14	.879	14	.842
15	.777	15	.876	15	.839
16	.773	16	.874	16	.836
17	.770	17	.872	17	.834
18	.767	18	.870	18	.832
19	.764	19	.868	19	.829
20	.762	20	.865	20	.827

## TABLE 2: REDUCTION FOR OPTIONAL COLA-PLAN 1

COLA Option factors - for converting all other options to a COLA Option

Age	Factor
35	0.6859
36	0.6883
37	0.6908
38	0.6933
39	0.6960
40	0.6987
41	0.7015
42	0.7044
43	0.7074
44	0.7105
45	0.7137
46	0.7170
47	0.7204
48	0.7238
49	0.7274
50	0.7311
51	0.7349
52	0.7388
53	0.7427
54	0.7468
55	0.7510
56	0.7552
57	0.7595
58	0.7640
59	0.7685
60	0.7731
61	0.7778
62	0.7825
63	0.7873
64	0.7922
65	0.7972
66	0.8022
67	0.8073
68	0.8124
69	0.8176
70	0.8229

## TABLE 3: RETIREMENT FROM INACTIVE SERVICE— EARLY RETIREMENT REDUCTION FACTORS

If you leave active service without retiring, and later retire before age 65, your benefit will be reduced for each year you are under age 65. To retire, you must be at least 60 years old with at least five years of service credit.

Age	Reduction Factor
64	.91
63	.82
62	.73
61	.67
60	.61

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## *Additional Information of Interest to PERS 1 Members*

### **UNIFORM COLA AND GAIN-SHARING**

**Uniform COLA:** Once you have been retired at least one year and are age 66 or older, you qualify to receive the Uniform COLA. The size of your benefit increase will be based on the total service credit you accumulate as a PERS member. After qualifying for the Uniform COLA, you will receive your first benefit increase in the July following your 66th birthday. Your benefit will be increased each July thereafter.

**Gain-sharing:** Retirees who qualify for the Uniform COLA also qualify for gain-sharing. The amount you receive will be calculated by multiplying service credit years times the gain sharing amount determined by the State Actuary's Office. This amount is added to your Uniform COLA. Gain-sharing is implemented once every two years when earnings on State Investment Board investments are extraordinary.

### **MINIMUM BENEFIT**

You cannot receive less than the minimum benefit established in law. For those retiring in the 2000, the minimum benefit is \$27.25 times the number of service credit years accumulated at retirement. The amount awarded for each year of service credit is increased each year by the amount of increase in the Consumer Price Index for Seattle, but not more than three percent.

### **MEMBER CONTRIBUTIONS**

Your retirement plan is a 401(a) defined benefit plan. It is funded by contributions from you and your employer, and investments made by the Washington State Investment Board from those contributions. Your contributions are credited to your personal account. Your employer's contributions are credited to the State of Washington Benefit Fund. The amount of contributions you and your employer make are not a factor in computing your retirement benefit.

### **REFUND OF POST 30-YEAR CONTRIBUTIONS**

When you have attained 30 service credit years, you can make a one-time election to have post 30-year contributions refunded at the time of retirement. If you choose the refund, you will earn 7.5 percent interest on your post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings made prior to the date of election.

If you already have 30 or more service credit years on July 25, 1999, you must choose to participate in the program on or before December 31, 1999, to be eligible. Persons who reach 30 years after July 25 have six months from the month they reach 30 years to make the election.

### **SERVICE CREDIT FOR SCHOOL EMPLOYEES**

Effective September 1, 1991, if you are employed by a school district, educational service district, the State School for the Blind, the State School for the Deaf, or an institution of higher learning, you may receive 12 service credit months for the school year if you:

- Are employed in an eligible position, and
- Earn compensation during at least nine months of the school year, and
- Have at least 630 hours of compensated employment between September 1 and August 31.

Note: These rules are not retroactive; prior to September 1, 1991, other rules were in effect.